

(3)

NEW NUMBER

7610

ELIAS C. ALVORD (1942)
ELLSWORTH C. ALVORD (1964)

ROBERT W. ALVORD
ALBERT H. GREENE
CARL C. DAVIS*
CHARLES T. KAPPLER
JOHN H. DOYLE
MILTON C. GRACE*
GEORGE JOHN KETO**
RICHARD N. BAGENSTOS

* NOT A MEMBER OF D.C. BAR
** ALSO A MEMBER OF OHIO BAR

LAW OFFICES
ALVORD AND ALVORD
200 WORLD CENTER BUILDING
918 SIXTEENTH STREET, N.W.
WASHINGTON, D. C.
20006-2973

OF COUNSEL
JESS LARSON
JOHN L. INGOLDSBY
URBAN A. LESTER

CABLE ADDRESS
"ALVORD"

TELEPHONE
AREA CODE 202
393-2266

TELEX
440367 A AND A
440348 CDAA UI

1 5266
RECORDED TO
JUL 17 1987 - 1 26 PM
INTERSTATE COMMERCE COMMISSION

July 17, 1987

7-198A014

Ms. Noreta R. McGee
Secretary
Interstate Commerce Commission
Washington, D.C.

No.
Date JUL 17 1987
Fee \$ 10.08
ICC Washington, D.C.

TOO OFFICE OF
THE SECRETARY
JUL 17 10 56 AM '87
MOTOR OPERATING UNIT

Dear Ms. McGee:

Enclosed for filing and recordation pursuant to the provisions of 49 U.S.C. Section 11303(a) are two copies of a Locomotive Lease Agreement dated June 19, 1987, a primary document as defined in the Commission's Rules for the Recordation of Documents.

The names and addresses of the parties to the enclosed document are:

Lessor: MLB Consulting Corp.
99 Cambridge Street
Burlington, Massachusetts 01803

Lessee: Kiamichi Railroad Company, Inc.
Hugo, Oklahoma 74743

A description of the railroad equipment covered by the enclosed document is set forth in Schedule A attached hereto and made a part hereof.

Also enclosed is a check in the amount of \$10 payable to the order of the Interstate Commerce Commission covering the required recordation fee.

Kindly return a stamped copy of the enclosed Locomotive Lease Agreement to Charles T. Kappler, Esq., Alvord and Alvord, 918 Sixteenth Street, N.W., Washington, D.C. 20006.


Counterparts - C.T. Kappler

Ms. Noreta R. McGee
Secretary
Interstate Commerce Commission
July 17, 1987
Page Two

A short summary of the enclosed primary document to appear in the Commission's Index is:

Locomotive Lease Agreement dated June 19, 1987 between MLB Consulting Corp., Lessor, and Kiamichi Railroad Company, Inc., Lessee, covering three (3) EMD, GP 9 locomotives and four (4) EMD, GP 38 locomotives.

Very truly yours,


Charles T. Kappler

Enclosures

SCHEDULE A

<u>Road</u> <u>Unit No.</u>	<u>Description</u>	<u>Engine</u> <u>Serial No.</u>
3801	EMD GP-38, 129-Ton, 2,000 HP Locomotive	62-A-76R
3802	EMD GP-38, 129-Ton, 2,000 HP Locomotive	77-83-1524
3803	EMD GP-38, 129-Ton, 2,000 HP Locomotive	78-A3-1513
3804	EMD GP-38, 129-Ton, 2,000 HP Locomotive	62-C-73R
901	EMD GP-9, 120-Ton 1,750 HP Locomotive	56-J-16
902	EMD GP-9, 120-Ton 1,750 HP Locomotive	58-C-65
903	EMD GP-9, 120-Ton 1,750 HP Locomotive	78-L3-1513

Interstate Commerce Commission
Washington, D.C. 20423

OFFICE OF THE SECRETARY

July 17, 1987

Charles T. Kappler, Esq.
Alvord and Alvord
918 Sixteenth Street, N. W.
Washington, D. C. 20006

Dear

The enclosed document(s) was recorded pursuant to the provisions of Section 11303 of the Interstate Commerce Act, 49 U.S.C. 11303, on 7/17/87 at 11:00 AM and assigned re-recording number(s). I5264, I5265 and I5266

Sincerely yours,

Norita R. McGee
Secretary

Enclosure(s)

JUL 17 1987 - 11 52 AM

INTERSTATE COMMERCE COMMISSION

LOCOMOTIVE LEASE AGREEMENT

This Locomotive Lease Agreement ("Agreement" or "Lease") made as of this 19th day of June, 1987 between MLB Consulting Corp., a Delaware corporation with its principal office at 99 Cambridge Street, Burlington, Massachusetts 01083 ("Lessor"), and Kiamichi Railroad Company, Inc., a Delaware corporation with its principal office at Hugo, Oklahoma 74743 ("Lessee"), Lessor and Lessee collectively ("Parties").

WITNESSETH:

1. Lessor hereby leases and lets to Lessee, and Lessee hereby hires and takes from Lessor, for the terms and upon the conditions stated herein, four (4) EMD GP-38 locomotives ("A-Units") and three (3) GP-9 locomotives ("B-Units"), A-Units and B-Units together collectively ("Units"), described in Schedule A attached hereto and made a part hereof.

2. (a) Lessee's commitment to accept and lease the Units and Lessor's commitment to deliver and lease the Units shall commence upon the earlier of (a) thirty (30) calendar days from the date hereof or (b) Lessor's completion of its financing arrangements (either (a) or (b) "Commencement Date"); provided, however, that should Lessor not complete all components of the financing of the Units, as contemplated, to Lessor's satisfaction within the thirty (30) calendar days from the signing of this Agreement, Lessor may either (i) extend the Commencement Date up to another thirty (30) calendar days, or (ii) cancel this Agreement.

(b) The lease of the Units hereunder may be renewed under mutually negotiated and agreeable terms and conditions between the Parties (the "Renewal Term") upon written notice by Lessee to Lessor at least one-hundred-twenty (120) days before the expiration of the Original Term or any Renewal Term; provided, however, that such mutually negotiated and agreeable terms and conditions between the Parties must have been completed in writing within thirty (30) days after written notice of Lessee's desire for a Renewal Term has been given to Lessor.

3. Lessor shall deliver the Units to Lessee at Des Moines, Iowa, and Lessee shall be responsible for subsequent transportation to any other destination. At the time of delivery to Lessee, representatives of the Parties shall perform a joint inspection of the Units and, upon Lessee's acceptance of delivery of the Units, such Units then shall be considered to be in good

repair and operating condition and in compliance with all existing Federal Railroad Administration ("FRA") Railroad Locomotive Standards for all purposes of this Lease and Lessee shall execute and deliver to the Lessor a Certificate of Acceptance (the "Certificate of Acceptance") in the form attached hereto as Schedule B with respect to such Units. It is expected that the Units will be delivered to Lessee no later than thirty (30) calendar days from the Commencement Date.

4. The term of the Lease (the "Original Term") for each Unit shall commence on the date of execution and delivery of the Certificate of Acceptance with respect to such Unit and shall continue for forty-eight (48) months with respect to each A-Unit and for thirty-six (36) months with respect to each B-Unit. Lessee shall during the Original Term, pay to Lessor as rent (i) for each A-Unit, the amount of \$2,509.37 per month payable on the first monthly anniversary date of the date of delivery and acceptance of such Unit and continuing on the same day of each month thereafter until forty-eight (48) such rental payments have been made, unless this Lease shall have sooner terminated with respect to such Unit in accordance with the express provisions of Section 15 hereof; and (ii) for each B-Unit, the amount of \$1,520.83 per month payable on the first monthly anniversary date of the date of delivery and acceptance of such Unit and continuing on the same day of each month thereafter until thirty-six (36) such rental payments have been made, unless this Lease shall have sooner terminated with respect to such Unit in accordance with the express provisions of Section 15 hereof. In the event any amounts due under this Lease shall not be paid when due, Lessee shall pay Lessor interest on such overdue amount from the due date to the date of payment pro rata at the annual rate of eighteen percent (18%). This Lease is a net lease, and Lessee's obligation to pay all rent and all other amounts payable hereunder is absolute and unconditional under any and all circumstances and shall not be affected by any circumstances of any character whatsoever.

5. Lessee shall, at no expense to Lessor, maintain the Units in good repair and operating condition, and shall return such Units to Lessor upon termination of this Agreement (or as otherwise agreed by the Parties) in the same condition as when delivered to Lessee, less normal wear and tear. Return of the Units shall be made at a mutually acceptable location on Lessee's property, except as provided in Section 15(a). At the time of return of the Units to Lessor, representatives of the Parties shall perform a joint inspection and except, as otherwise determined by said joint inspection, such Units then shall be considered to be in good repair and operating condition if the following items are satisfied as defined hereafter:

(a) Written evidence is provided to Lessor from an authorized manufacturer's representative for the Units chosen by

Lessor that he has inspected the Units and that in his opinion the Units comply with the applicable interchange standards set for such Units by the Association of American Railroads ("AAR") and the Units are in good operating order by industry standards and fit for the purposes for which they were designed, and satisfy the tests described in Sections 5(b) through 5(i) below;

(b) Variable displacement pumps, cylinders, power proportioning units, control valves, piping seals, and hose connections shall be fluid-tight and function in the same capacity and manner to meet manufacturer's original specifications;

(c) Hydraulic fluids, filters, and support systems shall meet manufacturer's original specifications for fluid levels and change intervals;

(d) All damaged or broken parts will be repaired according to AAR specifications;

(e) Exterior sides will be free of rust and corrosion and will be painted according to a standard paint scheme, free of any and all advertising and notices other than receiving numbers;

(f) Diesel-engine systems will be returned to Lessor in good working and operating condition. Lessor's authorized manufacturer's representative shall perform approved testing procedures that will demonstrate that the vital pressures and tolerances are within an approved range described by the manufacturer for said engine. Drive-train will perform in all gear ratios at designed speed. Those components and functions that fail to meet this minimum specification shall be subject to repair or replacement at the cost of Lessee who will return the engine and drive-train to such condition;

(g) Units will conform to United States Department of Transportation regulations or those of any other government agency having jurisdiction over the use and operation of the Units;

(h) Equipment will be returned with undercarriage systems, including any related tracks and rollers of a type, size, and quality standard according to original manufacturer's specifications, and will be in good repair and operating condition;

(i) All electrical and electronic systems, including radios and remote control, shall be fully operational and meet the manufacturer's original specifications.

Any deficiencies determined by such inspection shall be the responsibility of Lessee. In the case of deficiencies,

Lessee must correct such deficiencies at Lessee's expense within thirty (30) calendar days of such inspection and subject to the satisfaction of Lessor, except that, with the consent of Lessor, Lessee may request that Lessor correct such deficiencies at Lessee's expense, in which case, Lessor will perform or have performed the work necessary to correct such deficiencies and invoice or have invoiced such expense to the Lessee.

6. Lessee shall, at no expense to Lessor, perform all inspections of the Units in accordance with the minimum requirements established by any applicable federal or state laws or regulations relevant to Lessee's intended use of such Units. Lessor shall have the right, at its expense, to inspect the Units and Lessee's maintenance records at any mutually convenient time upon reasonable notice to Lessee.

7. Lessee shall not sublet, assign, or transfer any interest in the Units or in this Agreement without the written consent of Lessor, with such consent not to be unreasonably withheld. Notwithstanding any subletting, assignment, or transfer of any interest in the Units during the term hereof permitted by Lessor, Lessee shall continue to remain entirely liable for the performance of all Lessee's obligations pursuant to the terms and conditions of this Agreement and the unconditional satisfaction of the Lessor.

8. Lessee hereby covenants and agrees for itself and its successors and assigns to indemnify and save harmless Lessor and Lessor's agents, employees, stockholders, officers, directors, or successors and assigns (an "Indemnatee") from and against all damages, claims, claims for damages, suits, actions, losses, costs, judgments, and expenses arising out of injury to or death of any persons whomsoever (including the officers, employees, agents, or contractors of the Parties hereto) resulting from an action or inaction on the part of Lessee, its employees and agents, and on the part of independent contractors performing services with respect to Lessee's obligations hereunder; provided, however, that Lessee shall not be required to indemnify any Indemnatee for loss or liability arising from acts or events that occur after the Units have been returned to Lessor in accordance with this Lease, or for loss or liability solely from the willful misconduct or gross negligence of such Indemnatee.

9. (a) Lessor neither makes nor shall be deemed to have made, and Lessee hereby expressly waives any warranty or representation, either expressed or implied, as to the Units, including, without limitation, any warranty or representation as to the design, quality, or condition of the Units, or any warranty of merchantability or fitness of the Units for any particular purpose, or as to Lessor's or Lessee's interest in the Units, or as to any other matter relating to the Units, or any part thereof.

Lessee confirms that it has selected the Units and each part thereof on the basis of its own judgment, and expressly disclaims reliance upon any statements, representations, or warranties made by Lessor, and Lessee acknowledges that Lessor is not a manufacturer or vendor of any part of the Units.

Lessor neither makes nor shall be deemed to have made any representation or warranty to the Lessee as to the accounting treatment to be accorded to the transactions contemplated by this Lease, or as to any tax consequences and/or tax treatment thereof, particularly as any one of these items might apply to the Lessee.

(b) Lessor hereby assigns to Lessee such rights as Lessor may have (to the extent Lessor may validly assign such rights) under all manufacturers' and suppliers' warranties with respect to the Units (including, but not limited to the one-hundred-eighty (180) day parts and labor warranty on the Units provided by Wilson Railway Corporation); provided, however, that the foregoing rights shall automatically revert to Lessor upon the occurrence and during the continuance of any Event of Default hereunder, or upon the return of the Units to Lessor. Lessee agrees to settle all claims with respect to the Units directly with the manufacturers or suppliers thereof, and to give Lessor prompt notice of any such settlement and the details of such settlement.

10. (a) Lessee shall, at no expense to Lessor, cause to be carried and maintained at all times during the term of this Agreement property damage and personal injury liability insurance covering the Units in the names of Lessee and Lessor, or Lessor's successor or assignee, as their respective interests may appear, in amounts and form reasonably acceptable to Lessor and as is commonly maintained on comparable Units by companies similar to Lessee. Lessee also shall, at no expense to Lessor, cause to be carried and maintained, in the name of Lessee and Lessor, or Lessor's successor or assignee, as their respective interests may appear, with respect to the Units at all times prior to the termination hereof (i) property damage insurance and (ii) insurance in the event of an occurrence of an Event of Loss, all in amounts and form reasonably acceptable to Lessor and as is commonly maintained on comparable Units by companies similar to Lessee. In all events, Lessee shall cause to be carried and maintained, in the names of Lessee and Lessor, as their respective interests may appear, insurance against all risks of physical damage to the Units, as provided under a standard all-risks policy in the initial amount of \$120,000 for each A-Unit and declining by ~~\$25,000~~ \$15,000 every twelve months thereafter during the Original Term or any Renewal Term and \$50,000 for each B-Unit, and declining by \$10,000 every twelve months thereafter during the Original Term or any Renewal Term.

RAP 7/13/81
222
7/13

(b) The policies of insurance required under this Section 10 shall be valid and enforceable policies issued by insurers of recognized responsibility acceptable to Lessor. Evidence of such insurance shall be delivered by Lessee to Lessor, and Lessor or Lessor's successor or assignee shall be named as an additional insured party under all policies required in this Section 10. Such insurance may be blanket insurance covering equipment not covered by this Agreement, provided that any blanket insurance shall, in an accompanying certificate of insurance or rider, specifically designate the Units as being included therein and covered thereby, to the full extent of the amounts herein required, and shall name Lessee and Lessor or Lessor's successor or assignee as insured parties thereunder with respect to such Units, as their respective interests may appear. All such policies shall contain a provision that the policies shall not be cancelled without at least thirty (30) days' prior written notice to Lessor and that the insurer will give immediate notice to Lessor in the event of nonpayment of premium by Lessee when due.

11. Lessee agrees to pay and to indemnify Lessor for all property taxes levied upon the Units, as well as any other tax, tariff, duty, customs, switching, demurrage, or other charge made by governmental, railroad, or other agency (but excluding federal, state, or local taxes based on or measured by the income of Lessor and any sales or use taxes with respect to the Units imposed on Lessor, other than those imposed solely and directly with respect to this Agreement) ("Imposition"), arising out of this Agreement and imposed against Lessee, Lessor or the Units, unless Lessee shall have given Lessor written notice stating that the Imposition is being contested by Lessee in good faith and by appropriate proceedings.

12. It is understood and agreed that Lessor shall retain full ownership in the Units, and may assign this Lease if it chooses. Upon any such assignment, Lessee shall continue to be bound by the terms and conditions of this Lease and shall be obligated to continue to perform in every respect for the benefit of the Assignee. No title, legal or equitable, shall be vested in Lessee unless Lessee exercises its purchase option pursuant to Section 19, and Lessee shall not be entitled to take any tax benefits associated with the ownership of the Units. Lessor, as the owner of the Units, shall be entitled to take into account in computing its federal income tax liability such deductions, credits, and other benefits as are provided by the Code to an owner of property, including, without limitation:

(a) Any Investment Tax Credit available under the Code (the "Investment Tax Credit") for each Unit;

(b) Any recovery deductions ("Recovery Deductions") under the Code for each Unit;

(c) Amortization of expenses ("Amortization Deductions") paid or to be paid by Lessor in connection with this Lease at a rate no less rapid than straight line over the Lease term.

13. (a) With respect to Lessee's obligations under Sections 5 and 11, Lessee shall at no time permit a mechanic's or other lien to accrue or exist against the Units and shall protect, indemnify, and save harmless Lessor on account of any such lien. The obligation of Lessee to take action with respect to mechanic's or other liens under this Section 13 shall apply only to such liens existing solely and directly with respect to Lessee's obligations under Sections 5 and 11.

(b) With respect to Lessor's obligations hereunder or otherwise with respect to Lessor's ownership of the Units, Lessor shall at no time permit a mechanic's or other lien to accrue or exist against the Units if the effect thereof could be to interfere with Lessee's use of the Units and rights hereunder. Should such mechanic's or other lien with respect to Lessor's obligations hereunder or Lessor's ownership of the Units result in interference with Lessee's use of the Units and any actions of foreclosure with respect thereto be commenced, Lessee at its option may settle such liens the same and deduct the amount of such settlement from any payments to be made by Lessee to Lessor upon the purchase of the Units pursuant to Section 19 or during a Renewal Term.

14. Except as otherwise set forth herein, the Units shall for the purpose of this Agreement be deemed to be in the sole possession, custody, and control of Lessee from the time of delivery to Lessee until such Units are returned to Lessor pursuant to Sections 5 or 15.

15. This Agreement shall terminate if Lessee has made a Termination Election in an Event of Loss pursuant to Sections 15(a) and 15(b). If Lessee makes a Termination Election regarding any Unit, Lessor may, at its option, supply to Lessee another Unit of substantially similar type and specification as a substitute therefor, to be leased to Lessee subject to the terms and conditions hereof. The lease of such substitute Unit shall be effective on the date of delivery thereof to Lessee, provided that such delivery shall occur no later than thirty (30) days from the effective date of the Termination Election as defined in Section 15(b). Upon delivery, such substitute Unit shall be considered the Unit subject to the terms and conditions hereof.

(a) Event of Loss Termination Election. If an Event of Loss (as defined below) shall have occurred with respect to any Unit, Lessee may in its discretion make a Termination Election as to such Unit. For purposes of the preceding sentence, Event of Loss shall mean an occurrence which results in

the Unit being damaged beyond economical repair and permanently rendered unfit for use. Lessee shall, at no expense to Lessor, return the Unit to Lessor at a location of Lessor's choice on the property of Lessee, unless such Unit, as a result of an Event of Loss, cannot be moved under its own power at the place where the Unit is or, if the Event of Loss occasions a loss of possession of the Unit and such loss is deemed by Lessor to have occurred. In the event of a Termination Election pursuant to this Section 15(a), Lessor may supply a substitute Unit to Lessee as set forth in the first paragraph of this Section 15.

(b) Mechanics of Termination Election. Lessee shall deliver notice ("Termination Notice") to Lessor of a Termination Election as provided in this Section 15(b). Termination Notice shall be in writing, delivered in person or by certified mail, addressed to Lessor at the address shown on the first page of this Agreement and shall identify the Unit as to which a Termination Election is made and reason or reasons therefor. A Termination Election pursuant to this Section 15 shall be effective on the date the Termination Notice is received by Lessor. The obligations of Lessee hereunder as to the Unit shall cease on and as of the first rental payment date occurring more than thirty (30) days after the effective date of the Termination Election (such date being hereinafter call the "Termination Date"), provided Lessor has not opted to supply a substitute Unit as set forth in this Section 15. If Lessor has opted to supply a substitute Unit, and does so within the allowable thirty (30) day period as set forth in this Section 15, Lessee's obligations as to such substitute Unit shall be the same as defined in this Agreement for Units before a Termination Election and all rentals and other payments due under this Lease shall continue unabated and without interruption. On the Termination Date with respect to any Unit, Lessee shall pay to Lessor, in cash, in addition to the rental due on for such Unit, the amount (the "Casualty Value") set forth opposite the rental payment number corresponding to such date on the schedule set forth as Schedule C hereto, and upon making such payments all rental obligations of Lessee with respect to such Unit shall cease and terminate.

16. Upon or before delivery of the Units to Lessee, Lessor will cause to be plainly, distinctly, permanently, and conspicuously placed and fastened on each side of such Unit a metal plate or other identification on which plainly and conspicuously appear the following words in letters not less than one inch in height:

Owner and Lessor:

<u>Name:</u>	<u>MLB Consulting, Corp.</u>
<u>Address:</u>	<u>99 Cambridge Street</u>
	<u>Burlington, MA 01803</u>
<u>Telephone Contact:</u>	<u>Richard A. Peters, (617) 273-4361</u>

Ownership Subject to a Security Agreement Filed Under
the Interstate Commerce Act.

Lessee shall not obliterate, alter, or change any lettering, plate or number applied to the Units when delivered to Lessee. In case any such lettering, plate or number shall at any time be painted over or otherwise made inconspicuous, removed, defaced, or destroyed during the term of this Agreement, Lessee immediately shall cause the same to be restored or replaced. Lessee will not allow the name of any person, association, or corporation to be placed on the Units as a designation which might be interpreted as indicating a claim of ownership thereof by any person, association or corporation other than Lessor or its assignee; but the Units may be lettered with names, initials or other insignia customarily used by Lessee on equipment of the same or a similar type for convenience of identification of the rights to use and operate the Units under this Agreement.

17. Lessee agrees that its use of the Units shall be in full compliance with all applicable laws, rules, and regulations - state, federal and municipal - and specifically with those promulgated by the AAR and the FRA. Lessee agrees to indemnify and save harmless Lessor from and against liability or expense, including attorney's fees, arising out of its use of the Units in violation of such laws, rules, or regulations.

18. (a) If an Event of Default (as defined in Section 18(b) following) shall have occurred and be continuing, Lessor may, at its option (except to the extent otherwise required by law): (i) upon fifteen (15) days' written notice to Lessee, terminate this Agreement and repossess the Units; (ii) proceed by appropriate court action or actions to enforce performance by Lessee of the applicable covenants and terms of the Agreement, or recover damages for the breach thereof; or (iii) avail itself of any other remedy or remedies provided for by any statute or otherwise available at law or in equity, bankruptcy, or insolvency proceedings. Lessee shall be liable for all costs and expenses, both direct and indirect, that result from any legal action required or chosen by Lessor in the Event of Default on the part of Lessee. After the occurrence of an Event of Default and prior to taking any action of the type described in the first sentence of this Section 18(a) (other than providing notice to Lessee), Lessor shall notify Lessee's primary financial lenders ("Lenders") in writing of such occurrence, and allow such Lenders the right of cure of such default over the fifteen (15) day period defined above.

(b) "Event of Default" shall mean the occurrence and continuation of:

(i) a default in the performance of

Lessee's obligations to make payments under this Agreement and the continuance of such default for ten (10) days after written notice thereof from Lessor;

(ii) a default in the observance or performance of any other of the covenants, conditions and agreements on the part of Lessee contained herein and continuance of such default for thirty (30) days after written notice from Lessor to Lessee specifying the default and demanding the same to be remedied;

(iii) any representation or warranty made by Lessee in connection with this Agreement which is untrue in any material respect, or any statement, report, schedule, notice, or other writing furnished by Lessee in connection herewith which is untrue in any material respect on the date as of which the facts are set forth or certified;

(iv) Lessee becomes insolvent or fails generally to pay its debts as such debts become due, or causes an order for relief to be entered against Lessee or acquiesces in the entering of such an order against it, under applicable federal or state bankruptcy law, or makes an assignment for the benefit of creditors or applies for or consents to the appointment of a custodian, trustee or receiver for Lessee or for the major part of its property;

(v) a custodian, trustee or receiver is appointed for Lessee or for the major part of its property and is not discharged with sixty (60) days after such appointment; or

(vi) any other proceedings shall be commenced by or against Lessee for any relief which includes, or might result in, any modification of the obligations of Lessee hereunder under any bankruptcy or insolvency law or laws relating to the relief of debtors, readjustments of indebtedness, reorganizations, arrangements, compositions or extensions and,

unless such proceedings shall have been dismissed, nullified, stayed or otherwise rendered ineffective (but then only so long as such stay shall continue in force or such ineffectiveness shall continue), all the obligations of Lessee under this Lease shall not have been duly assumed in writing, pursuant to a court order or decree, by a trustee or trustees or receiver or receivers appointed for Lessee or for the property of either of them in connection with any such proceeding in such manner that such obligations shall have the same status as obligations incurred by such trustee or trustees or receiver or receivers, within thirty (30) days after such appointment, if any, or sixty (60) days after such proceedings shall have been commenced, whichever shall be earlier.

19. Lessor hereby grants to Lessee, at the end of the Original Term or any Renewal Term other than during the continuation of an Event of Default, an option to purchase ~~all, but not less than all of~~ the Units on the terms and conditions following herein this Section 19. Lessee shall elect to exercise such option by written notice to Lessor at lease one-hundred-twenty (120) days before the expiration of the Original Term or any Renewal Term. If such option is exercised, the selling price of the Units shall be no less than the greater of either (i) the verified and firmly committed price a willing and bona-fide independent and nonaffiliated third party offers to pay to Lessor for the Units at the expiration of this Agreement, or (ii) the fair market value as determined within the thirty-day (30-day) period immediately following notification by Lessee of its desire to purchase the Units and determined by an independent appraiser chosen by mutual agreement of the Parties, or, as determined by agreement between an independent appraiser chosen by the Lessee and an independent appraiser chosen by the Lessor. Regardless of which of (i) or (ii) in this Section 19 is applicable, such selling price shall in no case exceed fifty-five thousand dollars (\$55,000) for each of the A-Units and thirteen thousand five hundred dollars (\$13,500) for each of the B-Units.

RAB 7/13/8
22X
7/13

20. Failure or delay of Lessor to require Lessee's full compliance with any one or more of the terms of this Agreement shall not be interpreted as a waiver of those terms or of Lessor's right subsequently to insist on full compliance therewith or to take such action as might be lawfully authorized hereunder, either at law or in equity.

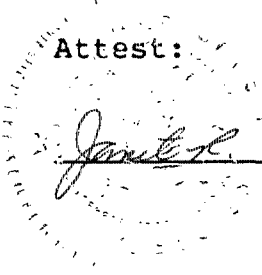
21. Lessor and Lessee have full power, authority, and legal right to execute, deliver, and perform under the terms and conditions of this Agreement. This Agreement has been duly authorized, executed, and delivered by Lessor and Lessee and constitutes a legal, valid, and binding obligation of Lessor and Lessee enforceable against either in accordance with its terms. During the term of this Agreement, if no Event of Default on the part of Lessee shall have occurred and be continuing, Lessee in such case shall be entitled to the right of "Quiet Enjoyment" and, as such, Lessee's possession and use of the Units shall not be interrupted or interfered with by Lessor or anyone claiming through or under Lessor.

22. This Agreement is to be interpreted in accordance with the laws of the State of Delaware.

23. This instrument and the referenced Schedules hereto constitute the entire Agreement between Lessor and Lessee regarding this transaction, shall be binding upon and inure to the benefit of their respective successors and/or assigns and personal representatives, and may not be modified or amended except in writing signed by both Parties hereto. Any provision hereof prohibited by rule or law shall be held to be of no effect, to the extent of that prohibition, and the remaining provisions hereof shall be enforced in accordance with their respective terms. Notices hereunder may be delivered by hand or by telex or telegram and shall be deemed to have been delivered five (5) days after mailed in the continental United States by registered mail, postage prepaid, to the respective addresses shown on the first page of this Agreement.

In witness whereof, the Parties hereto have caused this Agreement to be executed in triplicate (each of which shall be deemed to be an original and each such counterpart shall constitute but one and the same instrument) as of the date hereof.

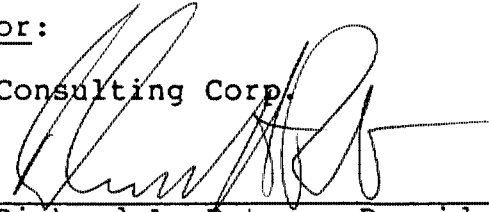
Attest:


Janet L. Duffett

Lessor:

MLB Consulting Corp.

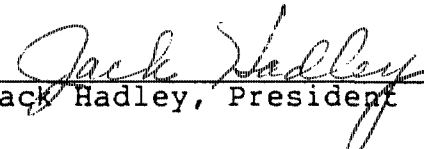
By


Richard A. Peters, President

Lessee:

Kiamichi Railroad Company, Inc.

By


Jack Hadley, President

Attest:

Jeffrey Foreman

STATE OF ^{New York} ~~ILLINOIS~~)
)
COUNTY OF New York) SS.

On this 13th day of July, 1987, before me personally appeared Richard A. Peters to me personally known, who being by me duly sworn, says that he is the President of MLB CONSULTING CORP.; that said instrument was signed on behalf of said Corporation by authority of its Board of Directors; and he acknowledged that the execution of the foregoing instrument was the free act and deed of said Corporation.

Richard T. Jordan
Notary Public

(SEAL)

My Commission expires: 3/30/88

RICHARD T. JORDAN
Notary Public, State of New York
No. 24-01JO4854587
Certificate Filed in Kings County
Qualified in New York County
Commission Expires March 30, 1988

STATE OF New York)
)
COUNTY OF New York) SS.

On this 13th day of July, 1987, before me personally appeared Jack Hadley to me personally known, who being by me duly sworn, says that he is the President of KIAMICHI RAILROAD COMPANY, INC., that one of the seals affixed to the foregoing instrument is the corporate seal of said Corporation, that said instrument was signed and sealed on behalf of said Corporation by authority of its Board of Directors; and he acknowledged that the execution of the foregoing instrument was the free act and deed of said Corporation.

Richard T. Jordan
Notary Public

(SEAL)

My commission expires: 3/30/88

RICHARD T. JORDAN
Notary Public, State of New York
No. 24-01JO4854587
Certificate Filed in Kings County
Qualified in New York County
Commission Expires March 30, 1988

LOCOMOTIVE LEASE AGREEMENT

Schedule A

Description and Monthly Rent of Units

This Schedule A made as of this 19th day of June, 1987 between Lessor and Lessee and hereby made an integral part of the Agreement attached hereto which is made as of this 19th day of June, 1987 between Lessor and Lessee.

<u>Road Unit No.</u>	<u>Description</u>	<u>Engine Serial No.</u>	<u>Monthly Rent</u>
3801	EMD GP-38, 129-Ton, 2,000 HP Locomotive	62-A-76R	\$ 2,509.37
3802	EMD GP-38, 129-Ton, 2,000 HP Locomotive	77-83-1524	\$ 2,509.37
3803	EMD GP-38, 129-Ton, 2,000 HP Locomotive	78-A3-1513	\$2,509.37
3804	EMD GP-38, 129-Ton, 2,000 HP Locomotive	62-C-73R	\$ 2,509.37
901	EMD GP-9, 120-Ton, 1,750 HP Locomotive	56-J-16	\$ 1,520.83
902	EMD GP-9, 120-Ton, 1,750 HP Locomotive	58-C-65	\$ 1,520.83
903	EMD GP-9, 120-Ton, 1,750 HP Locomotive	78-L3-1513	\$ 1,520.83
Monthly Rent Total			<u>\$14,599.97</u>

Attest:

Jeffrey Foreman

Lessor:

MLB Consulting Corp.

By

Richard A. Peters, President

Lessee:

Attest:

Jeffrey Foreman

Kiamichi Railroad Company, Inc.

By

Jack Hadley, President

CERTIFICATE OF ACCEPTANCE

TO: MLB Consulting Corp. ("Lessor"):

I, a duly appointed and authorized representative of Kiamichi Railroad Company, Inc. ("Lessee") under the Locomotive Lease Agreement dated as of June 19, 1987 (the "Lease"), do hereby certify that I have on this date inspected, received, approved and accepted delivery under the Lease of the following items of Equipment:

TYPE OF EQUIPMENT:

NUMBER OF UNITS:

MARKED AND NUMBERED:

I do further certify that the foregoing Units of Equipment are in good order and condition, and appear to conform to the specifications applicable thereto, and that Lessee has no knowledge of any defect in any of the foregoing Units of Equipment with respect to design, manufacture, condition or in any other respect and that each Unit has been marked as required by Section 16 of the Lease.

The execution of this Certificate will in no way relieve or decrease the responsibility of the manufacturer for any warranties it has made with respect to the Equipment.

Dated: _____, 1987.

Inspector and Authorized Representative
of Kiamichi Railroad Company,
Inc.

CASUALTY VALUES

<u>Rental Payment Number</u>	<u>Casualty Value A-Units</u>	<u>Casualty Value B-Units</u>
1	\$120,000	\$50,000
2	118,750	49,175
3	117,500	48,350
4	116,250	47,525
5	115,000	46,700
6	113,750	45,875
7	112,500	45,050
8	111,250	44,225
9	110,000	43,500
10	108,750	42,575
11	107,500	41,750
12	106,250	40,925
13	105,000	40,100
14	103,750	39,275
15	102,500	38,450
16	101,250	37,625
17	100,000	36,800
18	98,750	35,975
19	97,500	35,150
20	96,250	34,235
21	95,000	33,500
22	93,750	32,675
23	92,500	31,850
24	91,250	31,025
25	90,000	30,200
26	88,750	29,375
27	87,500	28,550
28	86,250	27,725
29	85,000	26,900
30	83,750	26,075
31	82,500	25,250
32	81,250	24,425
33	80,000	23,600
34	78,750	22,775
35	77,500	21,950
36	76,250	21,125
37	75,000	
38	73,750	
39	72,500	
40	71,250	
41	70,000	
42	68,750	
43	67,500	
44	66,250	
45	65,000	
46	63,750	
47	62,500	
48	61,250	

Schedule C
(To Locomotive Lease Agreement)